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TO RUEHC/SECSTATE WASHDC IMMEDIATE 4480
INFO RUEHXK/ARAB ISRAELI COLLECTIVE PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY

C O N F I D E N T I A L JERUSALEM 000549

SIPDIS

EA FOR FRONT OFFICE AND IPA; PRM FOR PRM/ANE; NSC FOR
SHAPIRO/PASCUAL, TREASURY FOR PARODI/AHERN/VELTRI;
PLEASE PASS TO USAID FOR BORODIN/NANDY/LAUDATO

E.O. 12958: DECL: 03/24/2019

TAGS: [EFIN](#) [ECON](#) [EAID](#) [KWBG](#) [PGOV](#) [IS](#)

SUBJECT: PA RUNNING SHORT OF CASH (AGAIN)

Classified By: Consul General Jake Walles, for reasons 1.4(b) and (d)

¶1. (SBU) Summary. Officials from the PA Ministry of Finance and the Prime Minister's Office report that the PA will not be able to make salary payments in early April without an immediate and sizeable influx of donor money. External budget support through the first three months of 2009 is running about USD 30 million per month below the PA's budgeted requirements. End Summary.

Here we go again

¶2. (SBU) Officials from the PA Ministry of Finance (MoF) and the Prime Minister's Office told donors on March 24 that, absent additional donor funds, the PA will not be able to pay March salaries for West Bank and Gaza employees, due in the first week of April.

¶3. (SBU) The PA's 2009 budget requires roughly USD 95m in external budget support each month in order to meet salaries and other recurrent expenses. PA MoF Directors General Mazen Jadallah and Yusuf al-Zamer told donors that the PA has received an average of USD 70m per month from donors since November 2008. As a result, the PA has begun to accumulate overdrafts and private sector arrears. Al-Zamer said the PA is, by all measures, broke. He said the PA expects to receive only USD 42m (from the EC and the World Bank) before salary payments are next due.

¶4. (SBU) This shortfall is exacerbated by additional expenditures related to Gaza (estimated at USD 25m per month). Karim Nashishibi, Economic Advisor to PM Fayyad, said that salaries would not be paid on time absent USD 50-60 million in new funds. The current situation, he noted, has particular political significance, given Fayyad's announced resignation as of March 31. (Note: Arab donors are not participants in these local donor discussions, and therefore did not hear this appeal first hand. End Note.)

¶5. (C) MoF officials report the PA dipped into its overdraft accounts and slowed payments to private sector contractors in order to make January and February salary payments. Bank of Palestine (BoP) contacts confirmed that the PA has an overdraft facility of around NIS 400m (USD 100m) and said the PA went NIS 50m (USD 12.5m) over the limit last month. BoP contacts noted that the PA also owes USD 16m to the bank from a loan taken in 2007.

Thanks a billion

¶6. (SBU) World Bank and IMF officials reinforced that the PA once again faces a fiscal crisis. World Bank WB/G Director

David Craig expressed concern that donors were "lulled into a false sense of security" by press reports of billions of dollars pledged at the Sharm el-Sheikh conference earlier in March. Jadallah said the PA has not yet seen any of those pledges materialize and does not know how much to expect as budget support versus assistance to the UN agencies in Gaza, etc. Other donors present at the March 24 meeting asserted that uncertainty about the PA's future is the critical factor in capitals' decision-making.

WALLES